



State of Michigan
John Engler, Governor

Department of Consumer & Industry Services
Kathleen M. Wilbur, Director

Office of Financial and Insurance Services
Frank M. Fitzgerald, Commissioner

Division of Securities
P.O. Box 30701
Lansing, MI 48909-8201
(877) 999-6442

Web site: www.cis.state.mi.us/ofis/

OFFICE OF FINANCIAL AND INSURANCE SERVICES

RELEASE NO. 2000-1-DM

TO: ALL INTERESTED PARTIES

SUBJECT: Amendments to the Debt Management Act

On June 29, 2000, Governor Engler signed 2000 PA 255 which amended the Michigan Debt Management Act (the "Act"). The following is a summary of the major changes to the Act.

1. The Act was amended to emphasize that both persons located inside or outside the boundaries of the State of Michigan must be licensed if they are engaged in the business of debt management. See Sections 2(j) and 4(1) of the Act.
2. Section 2(f) defines the "Department" as the newly created Office of Financial and Insurance Services.
3. The required amount for a surety bond has been increased. The surety bond amount is now \$25,000-\$100,000 based on the total amount of Michigan clients' funds in the applicant's or licensee's trust account at the time of application or renewal. See Section 5(2)(c).
4. Certain members of the board of directors (or their equivalent) will not be required to provide information to the Office of Financial and Insurance Services, if that member does not receive a salary, stock dividend, or other financial benefit from that corporation other than reimbursement of the actual expenses incurred in carrying out the duties of a director of that corporation. See Section 5(7).
5. An applicant or licensee is no longer required to submit its debt management contract, creditors consent form, or budget analysis form to the Office of Financial and Insurance Services for prior approval. However, the applicant or licensee must represent in writing that such forms and agreement contain the information contained in Sections 12-14 of the Act.

6. The consent of a creditor may now be sought by facsimile or electronic mail (Section 13(3)).
7. The defined length of time for a debt management contract may now be longer than 24 months (Section 14(1)(C)).
8. If a trust account is maintained in a financial institution that is located outside of the State of Michigan, the licensee must furnish a surety bond or irrevocable letter of credit in an amount equal to 100% of the average amount of deposits held in the trust account from month to month. See Section 15(5) of the Act.
9. A licensee may now maintain certain business records through the use of electronic or computerized methods. See Section 16(a).
10. Section 16(d)-(f) specify certain financial information that must be provided to a debtor.
11. Section 18(3) provides that a debtor has the right to cancel the contract until 12:00 Midnight of the third business day after the first day the contract is in effect by delivering written notice of cancellation to the licensee.
12. Section 19(g) states that a licensee is not prohibited from receiving a payment for the lawful sale, transfer, or assignment of a contract to the licensee from another licensee. Also review Section 16(h) of the Act.
13. Section 19(o) provides that a licensee shall not conduct the business of debt management without a surety bond or other approved coverage as described in Section 5(2).
14. The Act now authorizes the use of a Sweep Arrangement (Sections 2(n) and 15(l)).
15. The Act recognizes the legal status of limited liability companies. See Section 2(m) of the Act.

Please note that the referenced amendments to the Michigan Debt Management Act became effective June 29, 2000

Signed
Frank M. Fitzgerald
Commissioner

Dated: August 1, 2000